

PROGRESS REPORT ON
THE ACTIVITIES OF THE ISLAMIC
SOLIDARITY FUND FOR DEVELOPMENT
(2021)

CONTEXT

1. In 2021, the population of the OIC 57 Member Countries (MCs) stood at US\$1.65 billion. Although these countries represent 22% of the world population, they account only for 7% of the global GDP¹. At the same time, they account for 40% of the world's poor. Recent data released by the World Bank shows that despite significant progress in poverty reduction across the world, income poverty as well as multidimensional poverty remain high among OIC member countries. Overall, 14.2% of the population in OIC member countries live on less than US\$ 2 per day².
2. Poverty incidence is higher among populations in rural areas and fragile countries across IsDB member countries. The decline in poverty rates in Asia, Latin America, and Europe has been offset by the increasing rate (in absolute numbers) of impoverished people in MENA and Sub-Saharan Africa, especially in those classified as fragile and conflict-affected situations (FCS). In 2021, more than 90% of the rural population and 70% of the populations in fragile situations lived in extreme poverty³.
3. In 2020, the total extreme poverty headcount in IsDB member countries rose by 9% because of the pandemic. The increase was sharper in the MENA region (16%). For fragile countries, the number of people living in extreme poverty rose by 10%⁴. In total, 51 million people were pushed into poverty in OIC member countries⁵.
4. Regionally, 73% of the population of OIC member countries in Sub-Saharan Africa lived in extreme poverty in 2021, according to a recent IsDB report⁶. The proportion of the poor population in the region grew from 66% in 2016 to 72% in 2020, before jumping to 73% in 2021. During the same period, the proportion of the poor in the Middle East and North Africa region grew from 8% in 2016 to 11% in 2021. The only OIC regions that registered a decline in the proportion of poor people are Asia, Latin America, and Europe, where the figures declined from 25% in 2016 to 16% in 2021.

¹ World Bank 2020 data as cited in SESRIC OIC Economic Outlook 2021

² IsDB, Economic Context and Development Challenges of IsDB Member Countries 2021 IsDB Strategy Documents 2021

³ IsDB Report on Tackling Poverty and Building Resilience in Member Countries 2021.

⁴ sDB, Economic Context and Development Challenges of IsDB Member Countries 2021 IsDB Strategy Documents 2021.

⁵ sDB, Economic Context and Development Challenges of IsDB Member Countries 2021 IsDB Strategy Documents 2021

⁶ Source: ERS-IsDB Calculations based on World Data Lab estimates and projections, October 2021

MULTIDIMENSIONAL POVERTY IN OIC MEMBER COUNTRIES

5. Multidimensional poverty has been a worrying phenomenon in OIC member countries, with 464 million people considered multidimensionally poor in 2020. A recent joint analysis of the IsDB Institute and the Oxford Poverty and Human Development Initiative (OPHI) shows that, in total, 464 million people (almost one in every three) are living in multidimensional poverty, and 83% of them live in rural areas. In 14 of the IsDB member countries, most of the population lives in multidimensional poverty. By contrast, in 8 of the high-income countries, less than 1% of the total population lives in poverty. However, in low-income countries, such as Niger, Burkina Faso, and Chad, 8 out of 10 people are considered multidimensionally poor. In absolute terms, Nigeria (with 91 million people) and Pakistan (with 81 million people) have the largest number of poor people⁷.

FOOD SECURITY IN OIC MEMBER COUNTRIES

6. In addition to the economic crises and the associated decline in income, the pandemic caused a decline in food production, disrupted supply chains, and created food price inflation. These developments have deepened food insecurity worldwide in OIC member countries. Measured by the Global Hunger Index, food insecurity is based on the following three equally weighted indicators:
 - The proportion of undernourished people
 - Children under five years of age who are underweight
 - The mortality rate among children under 5.

Performance on the Hunger Index is measured on a scale of 0 to 100, with 0 being the best score (no hunger) and 100 being the worst. Scores between 35 and 50 are considered 'alarming,' while scores above 50 are considered 'extremely alarming.'

7. Existing data shows that among OIC member countries, food insecurity is more rampant among the low-middle income countries and the low-income countries. Most countries in the lower-middle-income category have moderate to serious levels of hunger⁸. Similarly, all the countries in the low-income group are food deficient. Of the 15 countries in this group, 11 have a 'serious' hunger situation, three an 'alarming'

⁷ IsDB, Draft Report on Tackling Poverty and Building Resilience in Member Countries, November 2021

⁸ 2018 Global Hunger Index

situation, and one a 'moderate' hunger situation. Of the 15 countries for which data is available, 13 (or 85%) are from Sub-Saharan Africa⁹

ISFD ROLE IN POVERTY REDUCTION IN MEMBER COUNTRIES

8. The Islamic Solidarity Fund for Development (ISFD) is a special fund established in 2007 within the Islamic Development Bank (IsDB). The Fund's target capital is US\$10 billion to be contributed by governments and institutions of MCs. The ISFD is the IsDB poverty reduction arm in MCs. The Fund provides concessional financing for programs and projects in MCs, especially the least developed ones.
9. Since its inception, the Fund focused on poverty reduction in OIC member countries by providing concessional finance for programs that:
 - promote pro-poor growth.
 - support human development, especially healthcare and education.
 - provide social safety nets for the poor; and
 - enhance good governance and access to public services by the poor.
10. As a Waqf, ISFD operations are financed through the net income realized from the investment of its Capital resources. The Board of Directors has recently authorized the ISFD to invest part of its capital in economic empowerment programmes and developments of Waqf in General. The Fund, with other partners has also started the establishment of Ihsan Waqf Investment Funds (IWIF) through which the ISFD is investing resources from its Capital.

STATUS OF THE ISFD CAPITAL CONTRIBUTIONS

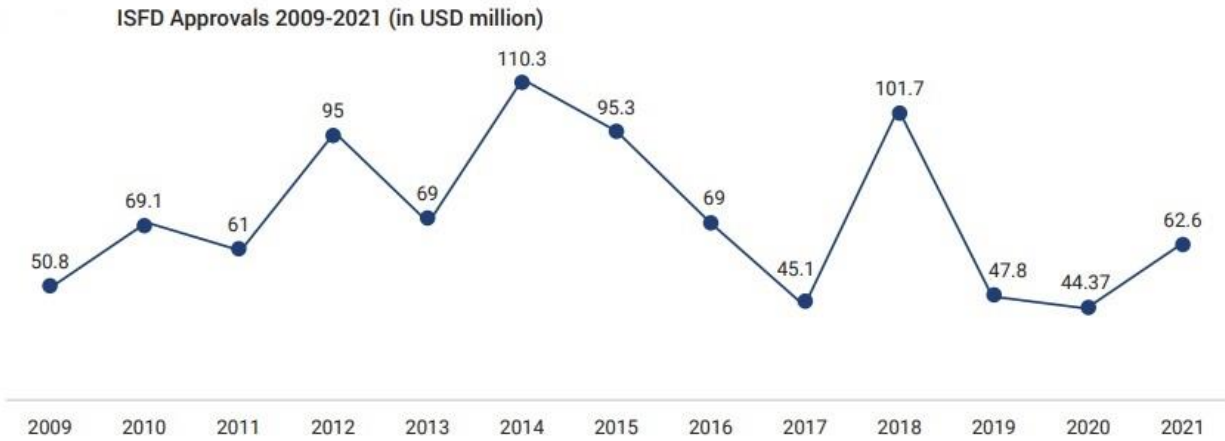
11. As of September 2022, the commitments to the ISFD core capital amounted to around US\$2.60 billion, representing 26% of the target capital. The Paid-up capital stood at US\$2.53 billion.
12. The Fund's 2030 Strategy provides for enhanced efforts to mobilize additional capital contributions from member countries. Efforts in this area yielded good results in 2021, as the Fund managed to mobilize a total of US\$10.41 million from MCs as a capital contribution. In 2022, as of September 2022, the Fund received payments of US\$1.50 million and pledge for US\$5.00 million from 3 MCs.

⁹ The other two are Afghanistan and Yemen

- 13. Though these figures show significant improvement compared to the previous years, they remain insufficient and the uncommitted remained US\$7.47 billion short of the approved US\$10 billion target capital.
- 14. The ISFD Board of Governors expressed concern over this wide gap between the targeted amount of US\$10 billion, and the total commitments. To allow the ISFD to achieve its objectives and reach its target capital, the OIC 14th Summit Conference held in Makkah on 31st of May 2019 called upon Member Countries that have not yet announced their contributions to the ISFD to do so expeditiously and those which announced contributions that do not reflect their economic ability, to review those contributions. Successive COMCEC ministerial sessions issued resolutions calling Member Countries to honour their commitments to the ISFD Capital.
- 15. The ISFD BOG adopted on 4th of September 2021 a new resolution ISFD/BG/4-442 in Tashkent Uzbekistan. This resolution extends the payment duration to up to 6 years depending on the national income of each MC. We call on the COMCEC Ministerial Meeting to support this Resolution.

ISFD’S OPERATIONS SINCE INCEPTION

- 16. The ISFD cumulative allocation since inception reached US\$ 1.2 billion by June 2022. So far, approvals in 2022 have reached US\$35.43 million, in addition to an allocation of US\$75.00 million to the IsDB Group Food Security Response Program (FSRP) in response to the global food insecurity crisis in MCs.



Source: Economic Research and Statistics Division IsDB

17. Projects financed during the year range from health, education, and sanitation projects to projects supporting refugees and Awqaf real estate projects. While energy accounted for 5% of financing. In addition, support was provided to member countries through ISFD flagship programs, LLF and stand-alone projects. The total cost of the projects and programs that benefited from ISFD financing in 2021 was US\$733 million. This represents a leverage ratio of 1:12

REGIONAL COVERAGE

18. About 61% of ISFD's financing in 2021 went to Sub-Saharan Africa, followed by Asia, Latin America, and Europe (30%), and MENA (9%). The health sector accounted for 38% of ISFD financing in 2021. Support focused on importing the COVID-19 vaccine, providing medical equipment, scholarships, training for ophthalmologists, and cataract treatment campaigns. Education and agriculture each accounted for 15% of the Fund's financing in 2021. Water, sanitation, and urban services accounted for 9%.

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT

19. The ISFD supported sectors that form the core of the Sustainable Development Goals (SDGs). Projects in agriculture and rural development, health, basic education, energy, water and sanitation, and youth employment are fully aligned with and will contribute to the realization of the SDGs particularly realizing SDG-1 (ending poverty), SDG-2 (zero hunger), SDG-3 (good health and well-being), and SDG-4 (quality education),

ISFD OPERATIONS IN 2021

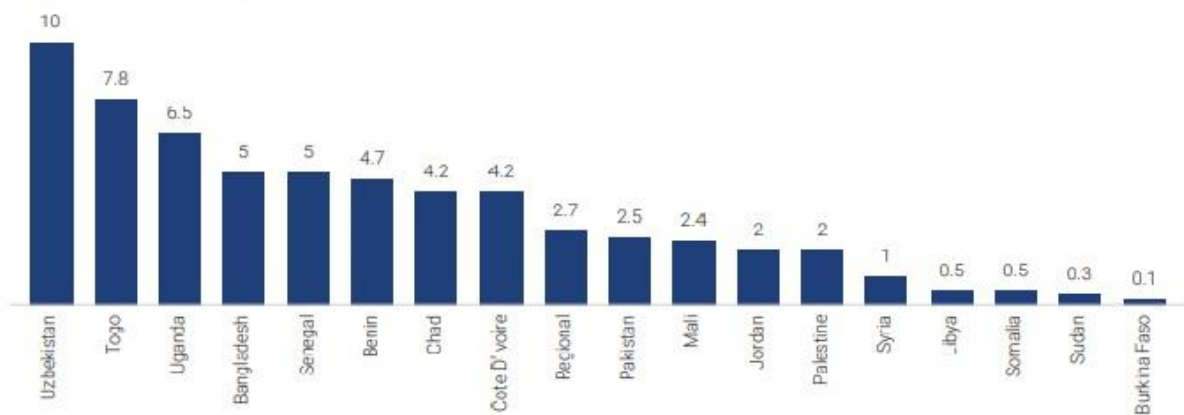
20. Projects financed during 2021 range from health, education, and sanitation projects to projects supporting refugees and Awqaf real estate projects. The ISFD continued to play a key role in the IsDB Group's support to member countries' response to the COVID-19 pandemic, both through the Group's Strategic Preparedness and Response Program (SPRP) and through other flagship programs, such as TADAMON, SERVE, IVAC, and ICERI, as well as through the LLF. This accounts for the fact that 38% of ISFD financing in 2021 went to the health sector.

21. Support to member countries in this area took the form of grants and loans for the importation of the COVID-19 vaccine, the provision of medical equipment, scholarship

and training for ophthalmologists, and a cataract treatment campaign. Education and agriculture each accounted for 15% of the Fund's financing in 2021. Water, sanitation, and urban services accounted for 9%, while energy accounted for 5% of financing. The rest of the financing went to other activities, including finance, public administration, and real estate development for poverty reduction.

22. The total cost of the projects and programs that benefited from ISFD financing in 2021 is US\$ 734 million. This represents a leverage ratio of 1:12 for ISFD financing. In terms of regional coverage, Sub-Saharan Africa accounted for 61% of ISFD's financing in 2021. This was followed by Asia, Latin America, Europe (30%), and the Middle East and North Africa - MENA (9%).

Figure 3.7: ISFD Approvals by Country in 2021 (in m \$)



CONCLUSION

23. Since inception, the Fund has continued to play a key role in poverty alleviation in the OIC Member Countries. The Fund provide concessional financing to support member countries through its flagship programs but also in the context of global intervention of the IsDB. Thus, the ISFD responded to the challenges posed by COVID-19 with an allocation of US\$232 million within the IsDB Group Strategic Preparedness and Response Programme (SPRP), and for the Food Crisis the Fund has already allocated US\$75 million to the IsDB Group Food Security Response Program (FSRP) to respond to the global food insecurity crisis in MCs.

24. Under the new strategy, the Fund is also establishing Ihsan Waqf Investment Funds. Through this tool, the ISFD is investing with partners, philanthropists to allow more funding for poverty reduction projects and programs, thus after the establishment of an Ihsan Waqf Investment Fund to support social development in Alquds with the target Capital of US\$100 million, the ISFD launched in 2022 Global Islamic Fund for Refugees (GIFR) in partnership with United Nations High Commissioner for Refugees (UNHCR). The target capital of this new special Fund is US\$ 500 million to support projects and programs for refugees in MCs.
25. While ISFD continues to support MCs, it requires the continued support of MCs through contributions to its capital resources. Receiving of resources will allow ISFD to fulfill its mandate and the principles of solidarity upon which it has been established to support the LDCs. ISFD will also require the support of MCs to its initiatives and programs to alleviate poverty, such as the GIFR.